

CMP: ₹ 1,270

Target: ₹ 1,560 (23%)

Target Period: 12 months

August 13, 2025

Diversification anchor SEL's next growth phase...

About the stock: Sansera Engineering (SEL), est. in 1981, is a Bengaluru based, engineering led, integrated manufacturer of critical precision forged components (engine, non-engine) for end application, predominantly in auto domain.

- FY25 sales: Auto ICE~73%; non-auto~12%; Tech agnostic & EVs~15%
- FY25 geography mix: India ~69%; Europe ~18%; US ~9%; Others ~4%

Q1FY26 Result: Consolidated revenues for the quarter stood at ₹ 766 crore (up 3% YoY) with EBITDA at ₹132 crore and margins at 17.2% (up 90 bps QoQ). PAT in Q1FY26 came in at ₹62 crore (up ~26% YoY), aided by higher other income. Sales mix for quarter: 73% - Auto-ICE, 15% - Auto-tech & xEVs and 12% from non-auto.

Investment Rationale

- Robust order pipeline & ADS momentum to sustain revenue momentum:** SEL is a prominent player in the auto component sector specializing in the production of precision forged parts such as connecting rods, crankshaft, etc. in Auto ICE domain; suspension parts, braking components and aluminium forged components in Auto Tech agnostic domain, drive train components in EV domain and structured parts in non-auto space (Aerospace, Defence, Off-Road segment, etc.). SEL has a robust orderbook of ~₹2,024 crores as of Q1FY26, with over 60% from international markets. ADS segment (~24% of orderbook) is scaling fast (FY26 ₹280–300 crores as sales; 2x YoY) amidst larger, higher value-added parts with ~₹750 crores secured/visible over next 3 years. While Sweden is transitioning to a structurally better portfolio & is well poised for >20% FY26E sales growth with double-digit margins. Together, these pillars diversify away from cyclical domestic 2W/PV and buffer tariff noise, resulting in sustainable double digit topline growth at Sansera Engineering going forward.
- Portfolio diversification & operational levers to aid margin expansion:** SEL continues to transition from its ICE-heavy base (now down to 73% of revenues) toward higher-margin segments such as ADS, Tech Agnostic, and non-auto, which collectively account for 27% of Q1FY26 revenues. EBITDA margins, while steady at 17.2% for Q1FY26, are expected to expand by 50–60 bps in FY26 on richer segment mix, operational efficiency gains in aluminium components (targeted to reach ~₹500 crores by FY27E), & improved contribution from the Swedish arm. Investments in specialized infrastructure & upside from strategic investment MMRFC (FY26 revenue guided at ₹35–40 crores with healthy EBITDA), add visibility to medium-term margin expansion, amidst its long-term aim of 20%.

Rating and Target Price

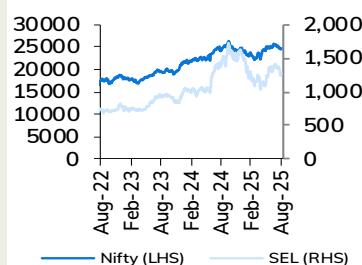
- Robust order book coupled with SEL's strong execution in scaling its high-margin ADS business, the turnaround in Swedish operations, & capacity led expansion in aluminium forging, along with structural positives of healthy double-digit margins as well as net debt free B/S, we retain our BUY rating on the stock & now value SEL at ₹ 1,560 i.e., 26x PE on FY27E.

Particulars

Particulars	₹ crore
Market capitalisation	7,864
Total Debt (FY25P)	300
Cash & Investment (FY25P)	428
EV (₹ crore)	7,735
52 week H/L (₹)	1,758 / 953
Equity capital (₹ crore)	12.4
Face value (₹)	2.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	34.8	30.3	30.4	30.3
FII	19.5	20.5	20.1	19.5
DII	32.5	37.5	37.0	36.9
Other	13.2	11.6	12.5	13.3

Price Chart**Recent event & key risks**

- We have baked in 14.7% revenue CAGR over FY25P-27E, with sales potentially reaching to ~₹ 4,000 crore by FY27E
- Key Risk: (i) lower than anticipated gains in margins (ii) delay in execution of orderbook amid geopolitical tensions (exports constitute bulk of new orderbook).

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Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25P	5 year CAGR (FY20-25P)	FY26E	FY27E	2 year CAGR (FY25P-27E)
Net Sales	1,549.3	1,989.0	2,346.0	2,811.4	3,016.7	15.7%	3,370.0	3,966.0	14.7%
EBITDA	272.1	333.6	384.7	479.8	514.8	18.0%	589.8	713.9	17.8%
EBITDA Margins (%)	17.6	16.8	16.4	17.1	17.1		17.5	18.0	
Net Profit	108.0	130.4	146.2	185.7	215.2	21.8%	286.8	371.2	31.3%
EPS (₹)	20.7	25.0	27.6	34.6	34.8		46.3	59.9	
P/E	61.3	50.8	46.0	36.7	36.5		27.4	21.2	
RoNW (%)	12.3	12.7	12.5	13.8	7.8		9.5	11.0	
RoCE (%)	10.5	11.3	12.2	14.0	10.4		11.3	13.1	

Key Takeaways of Recent Quarter

Q1FY26 Earnings Conference Call Highlights:

- **Order Book:** As of June 2025, orderbook stood at ₹2,024 crores with >60% from international customers. New wins in Q1 added ₹173 crores peak annual revenue: ~25% ADS, 10% xEV, 9% tech-agnostic, 30% PV/CV and 15% 2W. Order wins included a large semiconductor order, a new US tractor OEM, follow-on from Collins Aerospace, incremental awards from the largest North American xEV customer.
- **Capacity Expansion:** Aluminium forging is scaling: six press lines are running and >100 components have been developed for premium 2Ws; new 2,500-ton and ~4,000-ton presses have been installed at the new Bidadi forge shop to pursue more intricate PV suspension/driveline parts.
- **Capex:** Management emphasized focused capex on (1) forging capacity at Bidadi, and (2) automation at Sweden to drive utilization and margins (automation to be fully in place by end-Q2). It plans to continue its investment momentum in FY26, with a Capex of ~ ₹350 crore. A significant portion of this will be directed towards expanding the ADS business.
- **Swedish Operations:** Sweden posted its highest-ever quarterly sales at ~₹63.7 Crores, up ~80% YoY on a low base; Q2 will be seasonally muted (summer), with stabilization/ramp from Q3 as automation kicks in. For FY26, management expects >20% revenue growth & double-digit EBITDA margins; current run-rate margins are ~10–11%.
- **MMRFIC Strategic Investment:** Sansera's effective stake in MMRFIC is ~33–35% with a right to go to 51% over time. MMRFIC focuses on radar technologies (defence and non-defence), a distinct capability set from Sansera's high-precision machining; potential synergies are limited to machined structures/chassis. FY26 revenue is guided at ₹35–40 crores with healthy EBITDA; order-book disclosure is pending.
- **US Market and Tariff Strategy:** Export performance were impacted by the slowdown in the US exports (down by 20% excluding ADS), particularly the passenger vehicles, xEVs, & non-auto categories thereby being impacted in Q1FY26 due to global uncertainties surrounding tariffs. Currently, most of the customer have agreed a complete tariff pass through model and major customers have agreed to reimburse tariff impacts; a small tariff cost sat in Q1 P&L pending recoveries.
- **Outlook:** Management is “cautiously optimistic” given tariff/RVC fluidity, but expects positive growth in FY26 aided by ADS and Sweden; domestic two-wheelers are expected to grow 8–10% industry-wide and PV 0–3%. Long-term EBITDA margin aspiration remains ~20%, with current resilience around ~17% aided by mix, cost actions and Sweden automation. Based on the orderbook conversion model, reaching ~₹5,000 crore revenue by FY28 was framed as a reasonable possibility if supply-chain realignments are managed and localization accelerates.

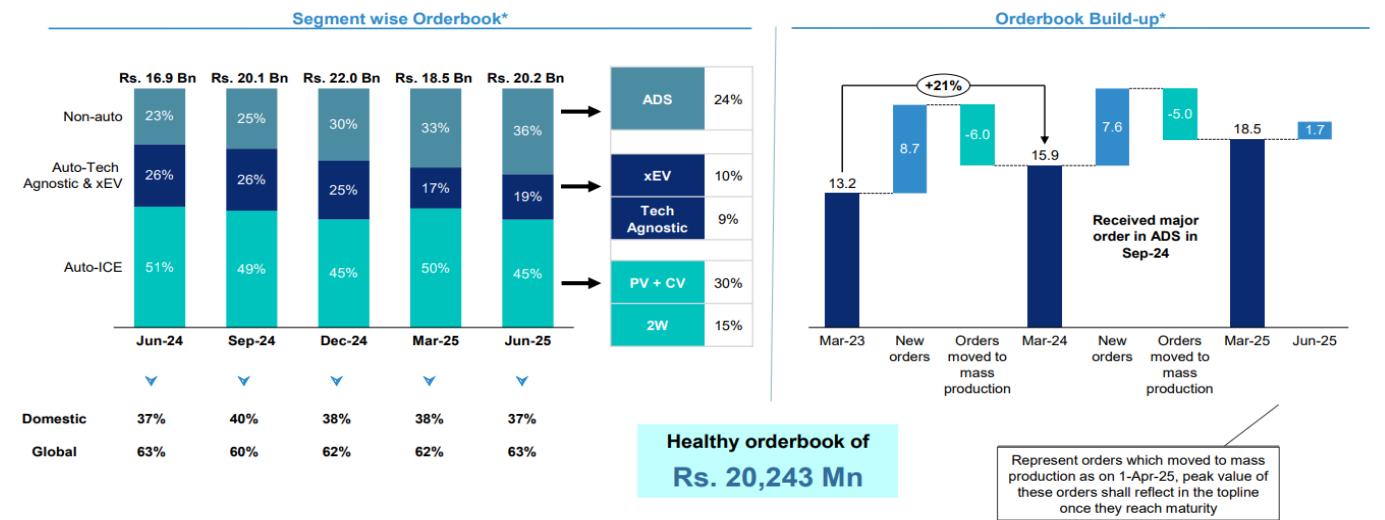
Aerospace & Defence: ADS remains the prime growth engine. FY26 ADS revenue is on track to double to ₹280–300 crores, with strong order momentum and pressure from customers to accelerate FAIs. Mix is shifting to fewer, larger, higher value-added parts; It highlighted enhanced capability (5-axis machining up to ~4 meters). The three-year ADS revenue ambition is ~₹1000 crores at peak execution, with current secured/visible business at ~₹750 crores. Management noted limited tariff exposure given end-markets and certain exemptions.

EV and Tech Agnostic Products: Q1 order wins included ~10% xEV and ~9% tech-agnostic content; SEL secured incremental business from its largest North American xEV customer. Aluminium forging (premium 2W today) is the spearhead for broader, tech-agnostic PV components (suspension/driveline). The aluminium portfolio is targeted to reach ~₹500 crores by FY27, subject to premium 2W trajectory and export scaling.

Key Charts from PPT

Exhibit 1: Segment wise orderbook

Expanding product portfolio and customer base with a focus on capitalizing on the high-growth emerging segments

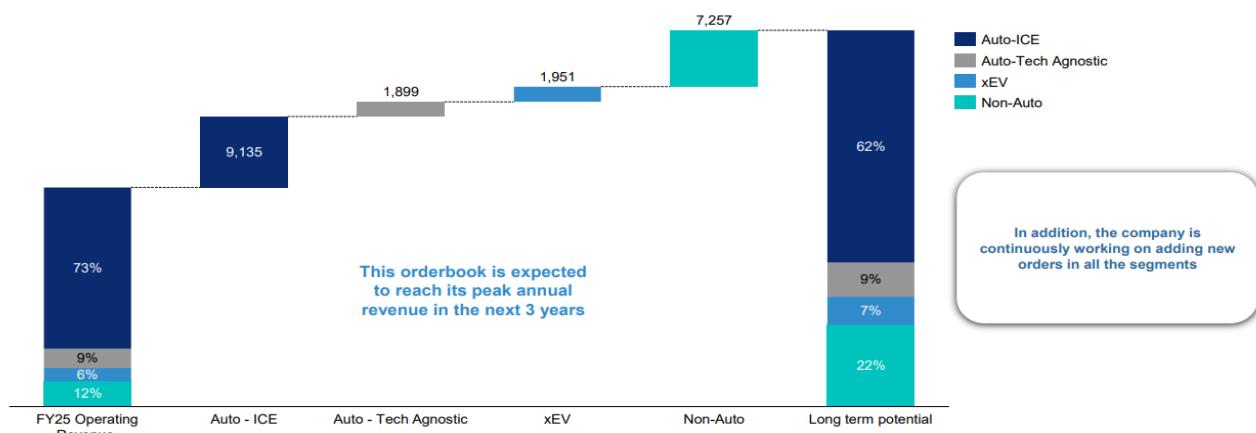


Source: Company, ICICI Direct Research

Exhibit 2: Growth path – as the orderbook goes into execution

291 LOIs/Purchase Orders from 70 customers in the auto and 36 customers in the non-auto sector (Post Annual Reset)

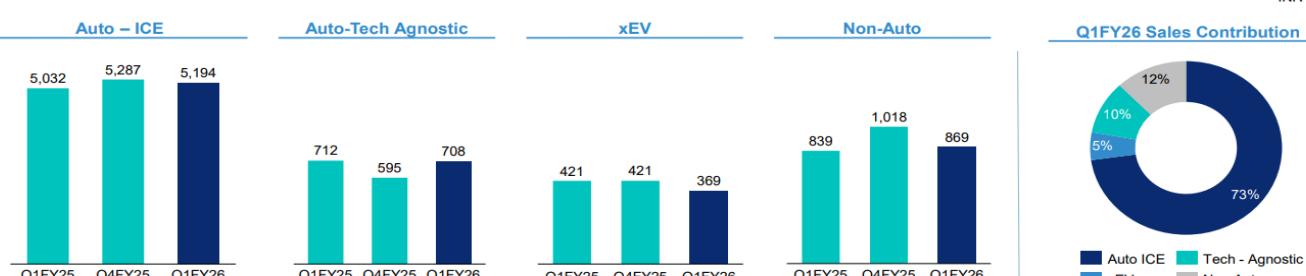
INR in Mn



Source: Company, ICICI Direct Research

Exhibit 3: Share of Sales across geographies

INR in Mn



Sales mix (%)	Q1FY26	Q1FY25	Q4FY25	FY25
India	68.7%	67.6%	66.6%	68.4%
Europe	19.9%	19.6%	18.0%	18.3%
USA	8.4%	10.1%	10.6%	9.2%
Other Foreign Countries	3.0%	2.7%	4.8%	4.1%
International	31.3%	32.4%	33.4%	31.6%
Exports from India	22.4%	27.4%	26.8%	26.0%
Sweden Sales	8.9%	5.0%	6.6%	5.6%
TOTAL	100%	100%	100%	100%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement				
(Year-end March)	FY24	FY25P	FY26E	₹ crore
Net Sales	2811.4	3016.7	3370.0	3966.0
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	2,811.4	3,016.7	3,370.0	3,966.0
Growth (%)	19.8	7.3	11.7	17.7
Raw Material Expenses	1,217.6	1,241.4	1,364.9	1,626.1
Employee Expenses	379.8	442.7	488.7	535.4
Other Operating Expense	734.3	818.0	926.8	1,090.7
Total Operating Expenditure	2,331.6	2,502.0	2,780.3	3,252.1
EBITDA	479.8	514.8	589.8	713.9
Growth (%)	24.7	7.3	14.6	21.0
Depreciation	149.5	173.8	198.2	220.8
Interest	77.0	70.0	30.0	20.3
Other Income	2.4	20.3	27.3	26.9
PBT	255.8	291.2	388.9	499.6
Exceptional Item & MI	1.3	0.9	2.9	1.0
Total Tax	68.8	75.1	99.2	127.4
PAT	185.7	215.2	286.8	371.2
Growth (%)	27.0	15.9	33.3	29.4
EPS (₹)	34.6	34.8	46.3	59.9

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
(Year-end March)	FY24	FY25P	FY26E	₹ crore
Profit after Tax	185.7	215.2	286.8	371.2
Add: Depreciation	149.5	173.8	198.2	220.8
(Inc)/dec in Current Assets	-84.3	-94.2	-108.3	-193.6
Inc/(dec) in CL and Provisions	60.7	18.1	63.4	90.4
Others	77.0	70.0	30.0	20.3
CF from operating activities	388.5	382.9	470.0	509.1
(Inc)/dec in Investments	-30.4	-11.7	-5.0	-5.0
(Inc)/dec in Fixed Assets	-347.6	-635.6	-350.0	-400.0
Others	-15.0	12.4	1.9	0.0
CF from investing activities	-393.0	-634.9	-353.1	-405.0
Issue/(Buy back) of Equity	0.1	1.7	0.0	0.0
Inc/(dec) in loan funds	89.0	-501.4	-100.0	-30.0
Dividend & interest	-93.1	-90.1	-54.7	-51.3
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	9.7	1,206.2	0.0	0.0
CF from financing activities	5.7	616.3	-154.7	-81.3
Net Cash flow	1.3	364.3	-37.8	22.8
Opening Cash	61.6	62.9	427.1	389.4
Closing Cash	62.9	427.1	389.4	412.2

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet				
(Year-end March)	FY24	FY25P	FY26E	₹ crore
Liabilities				
Equity Capital	10.7	12.4	12.4	12.4
Reserve and Surplus	1,336.7	2,737.9	2,999.9	3,340.1
Total Shareholders funds	1,347.4	2,750.3	3,012.3	3,352.5
Total Debt	801.1	299.7	199.7	169.7
Deferred Tax Liability	69.2	80.1	80.1	80.1
Minority Interest / Others	145.3	157.5	164.4	169.4
Total Liabilities	2,363.0	3,287.6	3,456.5	3,771.8
Assets				
Gross Block	2,302.8	2,827.4	3,271.9	3,521.9
Less: Acc Depreciation	756.0	929.8	1,128.1	1,348.9
Net Block	1,546.7	1,897.5	2,143.8	2,173.0
Capital WIP	83.5	194.5	100.0	250.0
Total Fixed Assets	1,630.2	2,092.1	2,243.8	2,423.0
Investments	78.4	91.9	96.9	101.9
Inventory	418.9	501.0	554.0	651.9
Debtors	462.2	454.6	507.8	597.6
Loans and Advances	4.3	3.5	3.9	4.6
Other Current Assets	51.9	72.4	74.1	79.3
Cash	62.9	427.1	389.4	412.2
Total Current Assets	1,000.2	1,458.7	1,529.2	1,745.6
Current Liabilities	355.8	362.3	415.5	489.0
Provisions	4.3	6.8	7.8	9.2
Current Liabilities & Prov	429.7	447.9	511.2	601.6
Net Current Assets	570.5	1,010.8	1,017.9	1,144.0
Others Assets	83.9	92.9	97.9	102.9
Application of Funds	2,363.0	3,287.6	3,456.5	3,771.8

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY24	FY25P	FY26E	FY27E
Per share data (₹)				
EPS	34.6	34.8	46.3	59.9
Cash EPS	62.5	62.8	78.3	95.6
BV	251.3	444.2	486.5	541.4
DPS	3.0	3.3	4.0	5.0
Cash Per Share	11.7	69.0	62.9	66.6
Operating Ratios (%)				
EBITDA Margin	17.1	17.1	17.5	18.0
PAT Margin	6.6	7.1	8.5	9.4
Inventory days	54.4	60.6	60.0	60.0
Debtor days	60.0	55.0	55.0	55.0
Creditor days	46.2	43.8	45.0	45.0
Return Ratios (%)				
RoE	13.8	7.8	9.5	11.0
RoCE	14.0	10.4	11.3	13.1
RoIC	14.9	12.8	13.2	15.9
Valuation Ratios (x)				
P/E	36.7	36.5	27.4	21.2
EV / EBITDA	17.9	15.0	13.0	10.7
EV / Net Sales	3.1	2.6	2.3	1.9
Market Cap / Sales	2.8	2.6	2.3	2.0
Price to Book Value	5.1	2.9	2.6	2.3
Solvency Ratios				
Debt/EBITDA	1.7	0.6	0.3	0.2
Debt / Equity	0.6	0.1	0.1	0.1
Current Ratio	2.6	2.8	2.7	2.7
Quick Ratio	1.4	1.4	1.4	1.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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